

AIR Spotlight - The Need and Importance of Digital Transactions

AIR Spotlight is an insightful program featured daily on the All India Radio Newsonair. In this program, many eminent panellists discuss issues of importance which can be quite helpful in the [IAS exam](#) preparation. This article talks about the significance of digital transactions in India.

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Context:

The use of digital transactions increased to a greater extent during the pandemic. The article will discuss the need and importance of digital transactions.

Background:

- When demonetization happened in 2016, the phase of digitalization had picked up but during the pandemic, the journey of digital transactions took a very fast pace.
- The government is also conducting various activities to promote digitalization such as repayment enablers, [payment banks](#), creation of digital infrastructure, customer-centric payment systems, 24x7 Real Time Gross Settlement (RTGS) facility, etc.

Development in the field of digitalization:

- India has moved from 3.8 transactions per capita in the financial year 2014 to 22.42 transactions per capita in the financial year 2019.
- But if we compare India with other countries then we see in China there are 96.7 digital transactions per capita and in Brazil, it is about 148.5 transactions per capita.
- Currently, the value of digital transactions as part of the [Gross Domestic Product \(GDP\)](#) is 769 per cent and it is expected to reach about 1500 per cent of the GDP in the coming two years.
- In terms of transactions, currently, we have 10 crores transactions and it is expected to reach around 30 crores.
- The overall structure of digital transfers, whether it is in the form of key governance, receiving payments for the government portals, or bringing about structural changes in overall processes, etc. have been aiding digitalization.

Challenges:

There are certain challenges in the way of digitalization that have to be overcome:

1. Absence of digital literacy:

- There is an absence of digital literacy. Many people are concerned about:

- How their grievances will be resolved?
 - What are the laws and measures to protect their transactions?
 - What are the resources available when they are confronted with certain problems while engaged in digital transactions and so forth?
- People have to be assured that strong digital systems are available to them and all the issues will be taken care of.

2. **Connectivity authentication issue:**

- Jan Dhan accounts and Rupay cards were enablers for digitalization but still, errors are faced in terms of connectivity authentication failures in the Aadhar payment.
- All these problems create hindrances in the way of digitalization.

3. **Validation services:**

- There is a lack of validation services that need to be provided by the public infrastructure institutions like public financial management systems or the National Payment Corporation System.
- A dedicated grievance redressal cell needs to be provided by the banks or the other payment banks so that people in their vernacular languages can reach out for help while making any kind of digital transaction.

4. **Cybercrimes:**

- Cybercrimes are a well-known issue in the digital world hence, there should be help centres for taking care of cybercrimes and the police also needs to be guided in terms of how to handle e-commerce and e-transactions based frauds.
- This will provide a certain amount of security to people.

Measures to promote digitalization:

- **JAM trinity:** Jan Dhan Aadhar and Mobile is known as JAM trinity and it is playing an important role in providing for financial inclusion and digitalization.
- **Merchant Discount rate:** The merchant discount rate should be reduced so that there will be more digitalization and more opportunities for retail traders and others to participate in the process of digitalization.
- **Connectivity:** The government is taking measures to resolve connectivity issues and further aid the processes of digitalization. If we talk about telecommunication, then the government has given a moratorium for the adjusted gross revenue payments.
- **Payment banks:** Eleven new payment banks are proposed to be established soon.
- **Supervision:** The Reserve Bank of India (RBI) ensures the safety and security of digital transactions.

Significance of Digitalization:

- **Ease of living:**
 - Whether applying for a passport or driving license, whether going to the e-commerce market, whether it is transacting from your bank, or bringing about any kind of transfer, it is very easy to just click on a button and complete the transaction from a handset or computer.
- **Transparency:**
 - It brings about transparency and accountability into the system for both government payments, transfers for private payments, and transfers for own budgeting and planning.
- **No Intermediaries:**
 - With regards to the Direct Benefit Transfer Scheme, without any cuts in the form of charges to the middlemen, the subsidies or the benefits directly go into the accounts of the beneficiaries.
 - It brings about better e-governance, more transactions enhance overall activities in the economy, and provides greater choices to people to bring about the contracts.
- **Ease for common people:**
 - It empowers the common people to live with peace as they don't have to stand in long queues to get the cash or to get their orders.

Rural-Urban Divide:

- There is a rural-urban divide in terms of digital transactions. Most of the people in rural areas still prefer cash payments.
- The usage of mobile phones has increased but there is the problem of connectivity. The rural broadband penetration is still low.
- Digital illiteracy and unfamiliarity with digital platforms deter rural people from moving to online marketplaces.
- People should be made aware of the procedure of digital transactions and trust should be created that there will be credibility for their transactions and all their transactions will be safe and secure.

Way Forward:

- Digital transactions are not only the next step but they are the way we will evolve and the whole world is evolving.
- There are lots of steps that need to be taken by the government and trust needs to be built for the safety and security of the transactions.
- Digital transactions should be strengthened in the country.
- There is a long way to go to match with the big giants of the world in this area.

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